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# Utah State Legislature

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September 1, 2009

Congressional Member  
Washington, D.C. 20510

Dear Congressional Member:

On behalf of the Utah State Legislature's Business and Labor Interim Committee, we write to express our support for efforts in Congress to protect car buyers and franchise dealers.

For example, H.R. 2743 the "Automobile Dealer Economic Rights Restoration Act of 2009," responds to the nationwide termination of hundreds of automobile franchise contracts earlier this year. Among other things, this legislation requires certain manufacturers to honor pre-bankruptcy franchise rights, including those afforded to dealers under state law.

States have long asserted their interests in ensuring a strong and vibrant automobile market. State automobile franchise laws are critical tools used by states to strengthen this important market and to protect consumers. Using federal bankruptcy law to unfairly terminate a franchise agreement is contrary to the important public policy goals embedded in these laws. Automobile franchisees incur significant risks with sizable investments in plant, equipment, parts, and product inventory. These assets are not easily liquidated or modified for other uses.

We strongly encourage Congress to act quickly to protect dealers whose franchise agreements were unfairly terminated. Automobile manufacturers appear to be finalizing new franchise agreements with new dealers in our state in territories where franchise agreements were terminated through bankruptcy. The media reports that Chrysler Corp., after terminating 11 franchise agreements in Utah earlier this year, is now entering into new franchise agreements with one or more new dealers in areas where franchises were terminated.

While we sympathize with the need for a manufacturer to return to profitability, it should not be allowed to use federal law to terminate contracts, violate state law, or compromise warranty promises. Automobile manufacturers were well aware of the requirements of state franchise law when they entered into these franchise agreements. Manufacturers should not be allowed to break promises to their customers and dealers.

September 1, 2009  
Page 2

We look forward to your support of the rights of automobile franchise dealers and their customers.

Sincerely,

Senator John L. Valentine  
Senate Chair  
Business and Labor Interim Committee

Representative James A. Dunnigan  
House Chair  
Business and Labor Interim Committee